

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT) CASE NO. 2010-00332
FILING OF VALLEY GAS, INC.)

O R D E R

On March 29, 2006, in Case No. 2006-00012,¹ the Commission approved rates for Valley Gas, Inc. ("Valley Gas") and provided for their further adjustment on a quarterly basis in accordance with Valley's Gas Cost Recovery ("GCR") clause.

On August 13, 2010, Valley filed its GCR to be effective October 1, 2010. Valley Gas filed a revision to its application on August 17, 2010.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Valley Gas's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Valley Gas's proposed Expected Gas Cost ("EGC") is \$5.9461 per Mcf, which is a decrease of \$3.1368 per Mcf from its previous EGC of \$9.0829.
3. Valley Gas's notice sets out no current quarter refund adjustment ("RA").
4. Valley Gas's notice sets out a current quarter Actual Adjustment ("AA") of (\$3.1696) per Mcf to return net over-recollections of \$115,719 to its customers. Valley

¹ Case No. 2006-00012, Application of Valley Gas, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC Mar. 29, 2006).

Gas's calculation of its net over-collection failed to include the months of October 2009 through June 2010 due to an error in its spreadsheet formula. Valley Gas's net over-collection to be returned to its customers is \$224,819. This amount should be adjusted by amounts returned to and collected from customers through the operation of two previous AAs that failed to expire from Valley Gas's rates due its failure to file GCR applications since June 1, 2006. The net over-recovery after adjustments is \$170,125. If the current AA were calculated by dividing this net over-recovery by 12 months' sales volumes, which is standard practice for the AA calculation, the resulting AA would be (\$4.6598) per Mcf. The Commission finds that an AA of this level, which is attributable to Valley Gas's failure to submit its required GCA filings, would produce a GCA rate so low that it would not be in the best interest of Valley Gas or its customers. The Commission therefore finds that Valley Gas's current quarter AA should be calculated so that it is returned over a 36-month period instead of a 12-month period. Valley Gas's current and total AA should be (\$1.5533) per Mcf, which is \$1.2042 per Mcf less than its previous total AA of (\$.3491) per Mcf.

6. Valley Gas's GCR is \$4.3928 per Mcf, which is \$4.3410 per Mcf less than the previous rate of \$8.7338.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be effective for billing for service rendered by Valley Gas on and after October 1, 2010.

IT IS THEREFORE ORDERED that:

1. Valley Gas's proposed rates are denied.

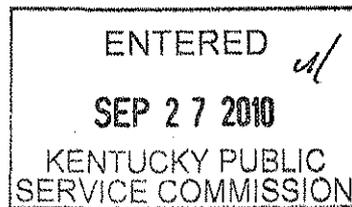
2. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after October 1, 2010.

3. Within 20 days from the date of this Order, Valley Gas shall file its revised tariffs with this Commission setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

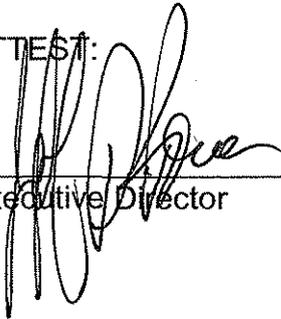
4. Valley Gas shall submit its next GCA filing on or before December 1, 2010, for rates effective on and after January 1, 2011.

5. Any future failure to timely file its required GCA filings pursuant to its approved tariff on file with this Commission may subject Valley Gas and its officers, individually, to investigation and sanctions as provided in KRS 278.990.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00332 DATED **SEP 27 2010**

The following rates and charges are prescribed for the customers served by Valley Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

	<u>Base Rate</u>	<u>Gas Cost Adjustment</u>	<u>Total</u>
All Mcf	\$2.3819	\$4.3928	\$6.7747

Kerry R Kasey
Secretary
Valley Gas, Inc.
401 First Street
P. O. Box 55
Irvington, KY 40146